

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: UNITED CITIES GAS COMPANY	DOCKET NOS. RPU-01-2 TF-01-68
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**ORDER TENTATIVELY GRANTING MOTION, APPROVING UNANIMOUS
AGREEMENT, AND APPROVING TARIFFS SUBJECT TO COMPLAINT**

(Issued March 21, 2001)

On March 5, 2001, United Cities Gas Company (United Cities) and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a "Joint Motion For Immediate Board Approval of Settlement Agreement," a "Unanimous Settlement Agreement," and proposed tariffs designed to implement an overall rate reduction for United Cities customers. The motion and settlement were identified as Docket No. RPU-01-2, and the proposed tariffs were identified as Docket No. TF-01-68.

The settlement agreement reflects a negotiated agreement between United Cities and Consumer Advocate to reduce natural gas revenues for United Cities by approximately 9.82 percent. United Cities and Consumer Advocate agreed to the reduction rather than go through the expense and delay of a complaint case proceeding. The reduction is based upon an 11 percent cost of equity and an overall rate of return of 9.625 percent. The total dollar amount of the reduction is \$326,000.

The proposed tariffs filed by the parties reflect the rate reductions for the customer classes. For the residential class there is an overall decrease of 16.4 percent. For the commercial classes the reductions are: 8.47 percent for Commercial Firm, 9.54 percent for Commercial Interruptible, 9.82 percent for Industrial Firm, and 2.14 percent for Transportation.

The Utilities Board (Board) has considered the settlement agreement and the proposed tariffs. The Board tentatively finds that the settlement agreement meets the conditions of 199 IAC 7.2(11). The agreement is reasonable in light of the whole record, is consistent with law, and is in the public interest. The Board finds that the capital balances used in the settlement are reasonably consistent with capital structure information provided by United Cities' parent and are reasonable. The Board finds that the return on equity and overall rate of return are consistent with current financial markets and are reasonable.

The Board finds that it is reasonable for United Cities and Consumer Advocate to settle a reduction in overall revenues rather than go to the expense and time of litigating cost of service issues. An overall reduction of natural gas rates will greatly benefit United Cities customers who are suffering through a winter heating season of high gas costs. This reduction will bring some relief for those customers. The Board tentatively finds that the rates that result from the reduction are just and reasonable and should be effective as soon as possible. To that end the Board will put the proposed tariffs into effect subject to complaint. The dockets remain open pending complaints, which will be timely until March 26, 2001. In the absence of

complaint, the approval of the settlement and tariff will become final and the dockets will terminate without further order.

IT IS THEREFORE ORDERED:

1. The "Joint Agreement For Immediate Board Approval Of Settlement Agreement" and "Unanimous Settlement Agreement" filed by United Cities Gas Company and the Consumer Advocate Division of the Department of Justice on March 5, 2001, are tentatively approved consistent with this order.
2. The proposed tariffs filed on March 5, 2001, by United Cities Gas Company and the Consumer Advocate Division of the Department of Justice are tentatively approved to be effective the date of this order, subject to complaint.
3. In the absence of objection on or before March 26, 2001, the tentative approval of the settlement agreement and of the tariffs shall become final and the dockets will terminate.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Sharon Mayer
Acting Executive Secretary, Asst. to

/s/ Diane Munns

Dated at Des Moines, Iowa, this 21st day of March, 2001.